

September 15, 2010

**ITEM NO. A2**

**AUTHORIZATION FOR THE CHA TO AWARD GENERAL LIABILITY, EXCESS LIABILITY, PUBLIC OFFICIALS LIABILITY , ALL RISK PROPERTY, EMPLOYED LAWYERS ERRORS AND OMISSIONS LIABILITY, EMPLOYMENT PRACTICES LIABILITY, AUTO LIABILITY, CRIME AND FIDUCIARY LIABILITY COVERAGE**

To the Honorable Board of Commissioners:

**RECOMMENDATION**

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to purchase the following insurance coverage for the CHA for the period of October 1, 2010 through September 30, 2011 for an aggregate amount not-to-exceed \$1,156,267 through its insurance broker of record, Aon Risk Services Central, Inc. (“Aon”): (1) General Liability written though Liberty Surplus in an amount not-to-exceed \$35,224; (2) Excess Liability coverage written through RSUI in an amount not-to-exceed \$61,124; (3) Public Officials Liability written through Ironshore and Ace in an amount not-to-exceed \$165,979 (4) All Risk Property written through Lexington, Axis, RSUI and Great American in an amount not-to-exceed \$809,793; (5) Employed Lawyers Errors and Omissions Liability written through Illinois National in an amount not-to-exceed \$11,800; (6) Employment Practice Liability written through National Union in an amount not-to-exceed \$11,272; (7) Auto Liability written through Hartford in an amount not-to-exceed \$46,475; (8) Crime written through Berkley Regional in amount not-to-exceed \$4,096 and (9) Fiduciary Liability written through National Union in an amount not-to-exceed \$10,504.

**RECOMMENDATION SUMMARY**

General Fund

<b>Vendor:</b>	Aon Risk Services Central, Inc.
<b>Address:</b>	200 East Randolph Street
<b>City, State, Zip:</b>	Chicago, IL 60601
<b>Contract Type:</b>	Insurance Coverages
<b>Contract Amount:</b>	\$1,156,267
<b>Contract Period:</b>	October 1, 2010-September 30, 2011
<b>M/W/DBE Participation:</b>	NA See attached waiver
<b>Section 3:</b>	NA Considered Supply & Delivery

## **GENERAL BACKGROUND**

The CHA must annually renew its insurance coverage for General Liability, Excess Liability, Public Officials Liability, All Risk Property, Employed Lawyers Errors and Omissions Liability, Employment Practices Liability, Auto Liability, Crime and Fiduciary Liability. HUD previously authorized the CHA to have its insurance broker of record competitively solicit bids on the CHA's behalf for all forthcoming insurance procurements.

## **PROCUREMENT HISTORY**

Aon directly and indirectly (through one wholesaler) solicited requests for insurance premium quotes from 16 carriers (most with the ability to quote multiple lines of coverage) on June 29, 2010 and requested that their quotes be received by Aon on July 15, 2010. Aon received quotes from many new carriers with only the property carriers and auto carrier remaining the same.

After reviewing the responses, Aon and CHA's Risk Management Department recommend the insurers listed in the table below to provide the required insurance coverage for CHA for the period October 1, 2010 through September 30, 2011. The recommended awards to these carriers maintain the same policy limits and retention levels for all lines except for Employment Practices Insurance which had the retention decreased from \$250,000 to \$150,000 and Public Officials Liability which now has \$20MM in dedicated limits.

<b>Insurance Carrier</b>	<b>Insurance Coverage</b>	<b>Renewal Premium 10-11</b>	<b>Expiring Premium 09-10</b>	<b>% Variance</b>
Liberty Surplus	General Liability	\$35,224	\$37,770	-7%
RSUI	Excess Liability	\$61,124	\$212,432	-71%
National Union	Employment Practices	\$11,272	\$40,385	-72%
Ironshore Specialty and ACE	Public Officials	\$165,979 \$20MM in limits	\$202,020 \$1MM in limits	-18%
Lexington, Axis, RSUI and Great American	All Risk Property	\$809,793	\$831,194	-3%
Illinois National	Employed Lawyers Errors and Omissions	\$11,800	\$19,940	-41%
Hartford	Auto Liability	\$46,475	\$40,948	13%
National Union	Fiduciary	\$10,504	\$14,450	-27%
Berkley Regional	Crime	\$4,096	\$4,496	-9%
<b>TOTAL PREMIUMS</b>		<b>\$1,156,267</b>	<b>\$1,403,635</b>	<b>-18%</b>

This year's insurance renewal was one of great change. The soft insurance market combined with one of the incumbent carriers refusal to quote, resulted in many new carriers quoting greatly reduced premiums. Under the property program, Total Insurable Values were increased .5% which still resulted in cost savings of 3%. Excess Liability was restructured with only General and Auto Liability sharing the Excess limit of \$19MM and Public Officials Liability now has dedicated limits of \$20MM instead of sharing the \$19MM limits under the Excess Liability coverage. This restructuring resulted in savings of \$187,349. The Authority was able to take advantage of the soft insurance market and marketing skills of Aon, for an overall savings of 18% or \$247,368.

Since insurance coverage is designated by HUD as a supply & delivery product, Section 3 requirements are not applicable to this procurement. In addition, MBE/WBE/DBE participation has been waived as there currently is no MBE/WBE/DBE insurance company which can meet the standard criteria set forth by CHA, which is a minimum rating of "A" by the A.M. Best Rating Guide.

Based on the foregoing, it is in the best interest of the Chicago Housing Authority to purchase the referenced insurance coverage for the period of October 1, 2010 through September 30, 2011 from the listed insurance carriers for the renewal premiums in the table above.

**RESOLUTION NO. 2010-CHA-105**

**WHEREAS**, The Board of Commissioners has reviewed the memorandum dated September 15, 2010 entitled "AUTHORIZATION FOR THE CHA TO AWARD GENERAL LIABILITY, EXCESS LIABILITY, PUBLIC OFFICIALS LIABILITY, ALL RISK PROPERTY, EMPLOYED LAWYERS ERRORS AND OMISSIONS LIABILITY, EMPLOYMENT PRACTICES LIABILITY, AUTO LIABILITY, CRIME AND FIDUCIARY LIABILITY COVERAGE";

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT** the Board of Commissioners authorizes the Chief Executive Officer or his designee to award the following insurance coverage for the CHA for the period of October 1, 2010 through September 30, 2011 for an aggregate amount not-to-exceed \$1,407,735 through its insurance broker of record, Aon Risk Services Central, Inc. ("Aon"): (1) General Liability written though Liberty Surplus in an amount not-to-exceed \$35,224; (2) Excess Liability coverage written through RSUI in an amount not-to-exceed \$61,124; (3) Public Officials Liability written through Ironshore and Ace in an amount not-to-exceed \$165,979 (4) All Risk Property written through Lexington, Axis, RSUI and Great American in an amount not-to-exceed \$809,793; (5) Employed Lawyers Errors and Omissions Liability written through Illinois National in an amount not-to-exceed \$11,800; (6) Employment Practice Liability written through National Union in an amount not-to-exceed \$11,272; (7) Auto Liability written through Hartford in an amount not-to-exceed \$46,475; (8) Crime written through Berkley Regional in amount not-to-exceed \$4,096 and (9) Fiduciary Liability written through National Union in an amount not-to-exceed \$10,504.

